

Message Text

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PAGE 01 NEW DE 06770 211304Z

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ACTION AID-31

INFO OCT-01 NEA-10 ISO-00 /042 W
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P R 211100Z MAY 75
FM AMEMBASSY NEW DELHI
TO AMCONSUL CALCUTTA PRIORITY
INFO SECSTATE WASHDC 8816

LIMITED OFFICIAL USE NEW DELHI 6770

INFO ADDRESSEE/ATTN R. BAKLEY, NESA/CD, AID/W

E.O. 11652: N/A

SUBJ: HINDUSTAN MOTORS LIMITED (HML)

PLEASE DELIVER THE FOLLOWING MESSAGE FROM K.F. O'DONNELL,
ACTING DIRECTOR, USAID, TO B.M. BIRLA, CHAIRMAN, HINDUSTAN
MOTORS LTD., IN A SEALED ENVELOPE, THROUGH A PERSONAL MESSENGER:
QUOTE. AS YOU ARE AWARE, BY OUR LETTER OF APRIL 10, 1975, WE
APPROVED THE RESCHEDULING OF PRINCIPAL PAYMENTS DUE UNDER OUR
LOANS NUMBERS 386-H-066, 118 AND 119, SUBJECT ONLY TO HML'S
SATISFYING THE FOLLOWING THREE CONDITIONS BY JUNE 30, 1975:
1. THAT HML BECOME CURRENT ON INTEREST PAYMENTS;
2. THAT HML CREATE IN AID'S FAVOR A MORTGAGE ON ITS MADRAS
PROPERTIES; AND
3. THAT THE GOVERNMENT OF INDIA PROVIDE ITS NON-OBJECTION TO THE
PROPOSED RESHCEDULING.

ON THE LAST OF THESE CONDITIONS, WE ARE PLEASED
TO INFORM YOU THAT THE GOVT BY ITS LETTER DATED MAY 15, 1975,
HAS EXPRESSED ITS NON-OBJECTION TO THE PROPOSED RESCHEDULING OF
THESE LOANS.

WITH RESPECT TO THE OTHER TWO CONDITIONS, WE HAVE RELIED ON
AND EXPECTED HML'S PROMPT ACTION. REGRETTABLY, HOWEVER, THIS
HAS NOT BEEN FORTHCOMING. AS TO HML'S GETTING CURRENT ON
INTEREST, YOUR REPRESENTATIVES HAVE ADVISED US FROM TIME TO TIME
OVER THE PAST SEVERAL MONTHS THAT HML'S CONSORTIUM OF BANKS WOULD
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PAGE 02 NEW DE 06770 211304Z

PROVIDE SUFFICIENT FUNDS SO THAT HML COULD CLEAR THE INTEREST

DELINQUENCY. AS BEST WE CAN TELL, THERE HAS BEEN NO PROGRESS AT ALL IN THIS DIRECTION. AS RECENTLY AS MAY 19, FOR EXAMPLE, YOUR MR. LAHOTY ADVISED OUR MR. RAO THAT HML STILL HAD NOTHING FIRM TO REPORT IN THIS REGARD.

AS REGARDS CREATION OF A MORTGAGE BY HML ON ITS TRIVELLORE PLANT IN AID'S FAVOR, WE WROTE ON MAY 14, 1975 TO MR. LAHOTY TO THE EFFECT THAT AID CANNOT AGREE TO A PARI PASSU RANKING OF ITS SECURITY WITH AN UNKNOWN FUTURE DEBENTURE HOLDER; THIS POSITION WAS ARRIVED AT ONLY AFTER MOST CAREFUL DELIBERATION ON OUR SIDE. NOW WE UNDERSTAND THAT MR. LAHOTY WANTS TO RAISE THIS MATTER ANEW BEFORE HML'S BOARD AND, FURTHERMORE, IS NOT SURE WHEN THE BOARD WILL BE MEETING AGAIN.

IN SUM, ON BOTH OUTSTANDING CONDITIONS, WE FRANKLY SEE NO SIGN OF PROGRESS TOWARD SATISFACTION BY JUNE 30.

I WOULD BE REMISS NOT TO CALL TO YOUR PERSONAL ATTENTION OUR GROWING CONCERN OVER THIS SITUATION. I KNOW YOU WILL AGREE THAT MUCH TIME AND EFFORT, FROM BOTH SIDES, HAVE GONE INTO THE RESOLUTION OF THIS MATTER OF DEBT RESCHEDULING AND THAT GOOD SUBSTANTIVE PROGRESS HAS BEEN MADE. THE CONDITIONS WE ARE REQUIRING, AND THE TIME FRAME FOR THEIR SATISFACTION, REFLECT PRUDENT PRACTICE ON OUR PART, PRACTICE NORMAL TO FINANCIAL INSTITUTIONS. AS WE HAVE REPEATEDLY ADVISED HML, BOTH ORALLY AND IN WRITING, AND AS OUR REPRESENTATIVE FROM WASHINGTON HEADQUARTERS (MR. BAKLEY) ADVISED YOU LAST DECEMBER, WE SIMPLY MUST SEE THESE TWO OUTSTANDING CONDITIONS SATISFIED BY JUNE 30, 1975. SHOULD THEY REMAIN UNSATISFIED BY THAT DATE, I MUST ADVISE YOU THAT AID MAY FIND IT NECESSARY, WITHOUT FURTHER REFERENCE OR ADVANCE NOTICE TO HML, TO AVAIL ITSELF OF ANY OR ALL OF ITS LOAN AGREEMENT REMEDIES.

I REQUEST, THEREFORE, THAT YOU GIVE THIS MATTER OF PROMPT SATISFACTION OF OUR REMAINING CONDITIONS YOUR URGENT AND PERSONAL ATTENTION. UNQUOTE
SCHNEIDER

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To: CALCUTTA
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